

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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February 21, 2002

Mr. Craig G. DeKany, Reimbursement Manager
HCR-Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

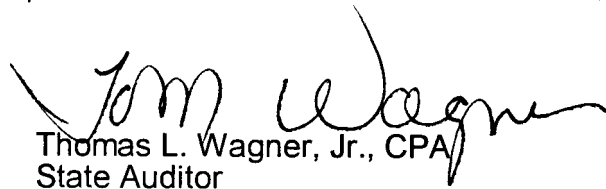
Re: AC# 3-OKU-J9 – Health Care & Retirement Corporation of America
d/b/a Oakmont of Union Nursing and ICF

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**HEALTH CARE & RETIREMENT
CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF
UNION, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-OKU-J9**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 12, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

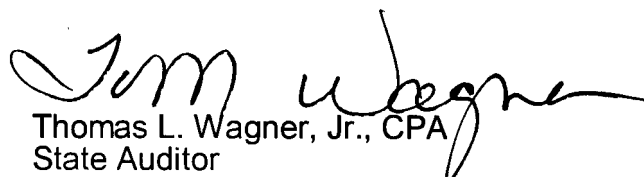
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Health Care & Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 12, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

OAKMONT OF UNION NURSING AND ICF

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-OKU-J9

	Beginning <u>10/01/00</u>
Interim reimbursement rate (1)	\$97.80
Adjusted reimbursement rate	<u>88.18</u>
Decrease in reimbursement rate	\$ <u>9.62</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

OAKMONT OF UNION NURSING AND ICF
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-OKU-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.23	\$46.45	
Dietary		7.68	10.56	
Laundry/Housekeeping/Maint.		<u>6.24</u>	<u>9.12</u>	
Subtotal	\$ <u>4.63</u>	56.15	66.13	\$56.15
Administration & Med. Rec.	\$ <u>2.41</u>	<u>8.79</u>	<u>11.20</u>	<u>8.79</u>
Subtotal		64.94	<u>\$77.33</u>	64.94
<u>Costs Not Subject to Standards:</u>				
Utilities		2.13		2.13
Special Services		-		-
Medical Supplies & Oxygen		3.92		3.92
Taxes and Insurance		1.20		1.20
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$72.19</u>		72.19
Inflation Factor (3.20%)				2.31
Cost of Capital				7.57
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.41
Cost Incentive				4.63
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.29)
Nurse Aide Staffing Add-On 10/01/99				1.38
Nurse Aide Staffing Add-On 10/01/00				<u>2.98</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$88.18</u>

OAKMONT OF UNION NURSING AND ICF
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,421,767	\$ 429 (3) 105 (4)	\$ 12 (3) 2,965 (4) 31,991 (5) 486 (5) 6,002 (7) 8,264 (9) 42,250 (11) 26,389 (11)	\$1,303,942
Dietary	237,877	121 (4) 97,834 (10)	235 (3) 483 (5) 390 (9) 97,442 (11)	237,282
Laundry	93,326	101 (5)	259 (3) 67 (4) 7,941 (8) 12,958 (11)	72,202
Housekeeping	62,608	678 (3) 638 (5) 39,174 (10)	86 (4) 43,249 (11)	59,763
Maintenance	68,041	40,345 (10)	4,206 (3) 584 (4) 486 (5) 611 (9) 41,663 (11) 148 (12)	60,688
Administration & Medical Records	307,536	1,014 (4) 402 (5) 5,844 (6) 42,767 (10)	2,197 (3) 114 (3) 2,530 (4) 6,221 (5) 19,596 (9) 43,681 (11) 9,536 (11) 2,199 (12)	271,489

OAKMONT OF UNION NURSING AND ICF
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-OKU-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Utilities	69,143	39,873 (10)	575 (3)	65,673
		2,442 (15)	2,193 (8)	
			43 (9)	
			42,974 (11)	
Special Services	37,721	3,770 (5)	127 (4)	(1)
			25 (9)	
			3,619 (12)	
			37,721 (13)	
Medical Supplies & Oxygen	125,733	4,685 (12)	796 (3)	121,123
			376 (4)	
			354 (5)	
			5,844 (6)	
			1,098 (9)	
			827 (11)	
Taxes & Insurance	54,518	28,899 (10)	21,734 (2)	36,953
			4,136 (9)	
			20,594 (11)	
Legal Fees	1,516	245 (10)	1,761 (9)	-
Cost of Capital	279,539	1,350 (8)	36,754 (1)	233,689
		11,842 (10)	9,686 (9)	
			11,116 (11)	
			1,486 (14)	
Subtotal	2,759,325	322,558	619,080	2,462,803
Ancillary	105,310	-	-	105,310

OAKMONT OF UNION NURSING AND ICF
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	531,204	36,754 (1) 21,734 (2) 229 (4) 35,110 (5) 6,002 (7) 8,784 (8) 45,610 (9) 392,679 (11) 1,281 (12) 37,721 (13) 1,486 (14) 292 (15)	300,979 (10)	817,907
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,395,839</u>	<u>\$910,240</u>	<u>\$920,059</u>	<u>\$3,386,020</u>
Total Patient Days	<u>30,879</u>	<u>-</u>	<u>-</u>	<u>30,879</u>
TOTAL BEDS	<u>88</u>			

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 441,202	
	Other Equity	484,816	
	Nonallowable	36,754	
	Fixed Assets		\$ 926,018
	Cost of Capital		36,754
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	21,734	
	Taxes and Insurance		21,734
	To adjust liability insurance expense HIM-15-1, Section 2304		
3	Retained Earnings	7,287	
	Nursing	429	
	Housekeeping	678	
	Restorative		12
	Dietary		235
	Laundry		259
	Maintenance		4,206
	Administration		2,197
	Medical Records		114
	Utilities		575
	Medical Supplies		796
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Accrued Salaries	1,696	
	Retained Earnings	3,570	
	Restorative	105	
	Dietary	121	
	Medical Records	1,014	
	Nonallowable	229	
	Nursing		2,965
	Laundry		67
	Housekeeping		86
	Maintenance		584
	Administration		2,530
	Medical Supplies		376
	Special Services		127
	To properly charge salaries applicable to the prior and subsequent periods HIM-15-1, Section 2302.1		
5	Laundry	101	
	Housekeeping	638	
	Medical Records	402	
	Special Services	3,770	
	Nonallowable	35,110	
	Nursing		31,991
	Restorative		486
	Dietary		483
	Maintenance		486
	Administration		6,221
	Medical Supplies		354
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Administration	5,844	
	Medical Supplies		5,844
	To reverse Provider salary allocation due to lack of documentation HIM-15-1, Section 2304		

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable Nursing	6,002	6,002
	To reclassify salaries to the proper cost center HIM-15-1, Section 2102.3 DH&HS Expense Crosswalk		
8	Nonallowable Cost of Capital Laundry Utilities	8,784 1,350	7,941 2,193
	To adjust shared service allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Nonallowable Nursing Dietary Maintenance Administration Legal Utilities Taxes and Insurance Medical Supplies Special Services Cost of Capital	45,610	8,264 390 611 19,596 1,761 43 4,136 1,098 25 9,686
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
10	Dietary Housekeeping Maintenance Administration Legal Utilities Taxes and Insurance Cost of Capital Nonallowable	97,834 39,174 40,345 42,767 245 39,873 28,899 11,842	300,979
	To reverse Provider/DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable	392,679	
	Nursing		42,250
	Restorative		26,389
	Dietary		97,442
	Laundry		12,958
	Housekeeping		43,249
	Maintenance		41,663
	Administration		43,681
	Medical Records		9,536
	Utilities		42,974
	Taxes and Insurance		20,594
	Medical Supplies		827
	Cost of Capital		11,116
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
12	Medical Supplies	4,685	
	Nonallowable	1,281	
	Maintenance		148
	Administration		2,199
	Special Services		3,619
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
13	Nonallowable	37,721	
	Special Services		37,721
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
14	Nonallowable	1,486	
	Cost of Capital		1,486
	To adjust capital return State Plan, Attachment 4.19D		

OAKMONT OF UNION NURSING AND ICF
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Utilities	2,442	
	Nonallowable	292	
	Intercompany - Oakmont West		2,734
	To record shared service allocation HIM-15-1, Section 2304		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u><u>\$1,848,811</u></u>	<u><u>\$1,848,811</u></u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OAKMONT OF UNION NURSING AND ICF
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2,3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>88</u>
Deemed Asset Value	3,182,520
Improvements Since 1981	750,144
Accumulated Depreciation at 9/30/99	<u>(862,657)</u>
Deemed Depreciated Value	3,070,007
Market Rate of Return	<u>.060</u>
Total Annual Return	184,200
Return Applicable to Non-Reimbursable Cost Centers	(21,649)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>2,660</u>
Allowable Annual Return	165,211
Depreciation Expense	80,844
Amortization Expense	715
Capital Related Income Offsets	(1,965)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(11,116)</u>
Allowable Cost of Capital Expense	233,689
Total Patient Days (Actual)	<u>30,879</u>
Cost of Capital Per Diem	\$ <u><u>7.57</u></u>

OAKMONT OF UNION NURSING AND ICF
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-OKU-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$4.83
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.82</u>
Reimbursable Cost of Capital Per Diem	\$7.57
Cost of Capital Per Diem	<u>7.57</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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